

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS
SCHEDULE OF FINDINGS

JUNE 30, 2013 AND 2012

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COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Steve Leng	Chairperson	City of Hartley
Kelly O'Brien	Vice-Chairperson	City of Sanborn
Rodd Holtkamp	Member	City of Primghar
Mike Otto	Member	City of Paullina
Kent Faust	Member	At Large
D. J. Weber	Manager	

HUNZELMAN, PUTZIER & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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Independent Auditor's Report

To the Members of Community Cable
Television Agency of O'Brien County:

Report on the Financial Statements

We have audited the accompanying financial statements of Community Cable Television Agency of O'Brien County (the Agency) as of and for the years ended June 30, 2013 and 2012, and the related Notes to Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2013 and 2012, and the changes in its financial position, and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis on pages 6 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2014 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Hungelman, Putzier & Co., PLLC

March 7, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Community Cable Television Agency of O'Brien County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal years ended June 30, 2013 and 2012. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

FINANCIAL HIGHLIGHTS

The Agency's operating revenues increased 0.56%, or \$15,385, from fiscal 2012 to fiscal 2013.

The Agency's operating expenses were 4.47%, or \$101,386, more in fiscal 2013 than in fiscal 2012.

The Agency's net position increased 5.73%, or \$69,486, from June 30, 2012, to June 30, 2013.

USING THIS ANNUAL REPORT

Community Cable Television Agency of O'Brien County is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Community Cable Television Agency of O'Brien County's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.

The Statement of Net Position presents information on the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on the Agency's operating revenues and expenses, non-operating revenues and expenses and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Agency's cash and cash equivalents during the year. This information can assist readers of the report in determining how the Agency financed its activities and how it met its cash requirements.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Agency's financial position. The Agency's net position for fiscal 2013 totaled approximately \$1,283,000. This compares to approximately \$1,213,000 for fiscal 2012.

FINANCIAL ANALYSIS OF THE AGENCY - Continued

Condensed Balance Sheets - Continued

A summary of the Agency's net position is presented below.

	<u>Net Position</u>	
	<u>Year Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Current assets	\$ 329,141	\$ 394,974
Non-current assets	<u>1,228,410</u>	<u>1,074,487</u>
Total assets	1,557,551	1,469,461
Current liabilities	152,928	143,295
Long-term liabilities	<u>121,990</u>	<u>113,019</u>
Total liabilities	274,918	256,314
Net position:		
Invested in capital assets	728,410	574,486
Restricted	500,000	500,000
Unrestricted	<u>54,223</u>	<u>138,661</u>
Total net position	<u>\$1,282,633</u>	<u>\$1,213,147</u>

The invested in capital assets (57%, e.g., buildings and equipment) are resources allocated to capital assets. The restricted component (39%) is the amount required to be set aside by each member city's bond resolution. The remaining amount (4%) is unrestricted that can be used to meet the Agency's obligations as they come due.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

Operating revenues are received for operating and maintaining jointly owned facilities and equipment for the purpose of providing cable television, telephone, and internet services to the citizens of the participating communities. Operating expenses are expenses paid to provide these services and operate the Agency. Non-operating revenues are for interest income. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses, and changes in net position for the years ended June 30, 2013 and 2012, is presented below:

FINANCIAL ANALYSIS OF THE AGENCY - (Continued)

Condensed Statements of Revenues, Expenses, and Changes in Net Position- (Continued)

<u>Statements of Revenues, Expenses, and Changes in Net Position</u>		
	<u>Year Ended June 30,</u>	
<u>OPERATING REVENUES</u>	<u>2013</u>	<u>2012</u>
Cable revenue	\$ 1,061,141	\$ 963,054
Telephone revenue	910,417	923,003
Carrier access fee revenue	164,827	269,232
Internet revenue	580,370	561,818
Modem purchases and rentals	43,962	43,472
Other operating revenues	26,224	10,977
Total operating revenues	<u>2,786,941</u>	<u>2,771,556</u>
<u>OPERATING EXPENSES</u>		
Cost of services	1,068,265	1,102,911
Salaries and benefits	600,242	551,717
Repairs and maintenance	312,831	277,346
Depreciation	135,497	86,066
Utilities	49,364	49,564
Other	204,766	201,975
Total operating expenses	<u>2,370,965</u>	<u>2,269,579</u>
Operating income	415,976	501,977
<u>NONOPERATING REVENUES</u>		
Interest on investments	5,708	7,335
Loss on sale of assets	(5,904)	-
Net non-operating revenues	(196)	7,335
Changes in net position	415,780	509,312
Net position beginning of year	1,213,147	1,053,376
Residual equity transfers to member cities	(346,294)	(349,541)
Net position end of year	<u>\$ 1,282,633</u>	<u>\$ 1,213,147</u>

The Statement of Revenues, Expenses, and Changes in Net Position reflects a positive year with an increase in net position at the end of the fiscal year.

In fiscal 2013, operating revenues increased by 0.56% or \$15,385 primarily as a result of increased service offerings by way of digital, HD cable and faster internet packages increasing sales in both city and rural customer markets.

Operating expenses increased by 4.47%, or \$101,386 primarily due to filling a vacancy in staff, utilizing summer help for system repairs, system upgrades as well as adding new modems, service modules and digital boxes for customers.

FINANCIAL ANALYSIS OF THE AGENCY - (Continued)

Statements of Cash Flows

The Statements of Cash Flows present information related to cash inflows and outflows, summarized by operating, capital and related financing, and investing activities. Cash provided by operating activities includes fees for providing services reduced by payments to employees and to suppliers. Cash used by capital and related financing activities includes the purchase of capital assets and the return of capital to member cities. Cash provided by investing activities includes the purchase and sale of certificates of deposit and interest income.

CAPITAL ASSETS

At June 30, 2013 the Agency had approximately \$728,000 invested in capital assets, net of accumulated depreciation of approximately \$528,000. Depreciation expense totaled \$135,497 for fiscal year 2013. More detailed information about the Agency's capital assets is presented in Note 4 to the financial statements.

ECONOMIC FACTORS

Community Cable Television Agency of O'Brien County's financial position improved during the current fiscal year. The current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

Facilities at the Agency require constant maintenance and upkeep.

Technology continues to expand and current technology becomes outdated, presenting an on-going challenge to maintain up-to-date technology at a reasonable cost.

Continuous predatory pricing pressure by the Agency's competitors is of great concern and will continue to be monitored by the Agency.

The Agency anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Agency's ability to react to unknown issues and ever changing regulations.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or additional financial information is needed, contact Community Cable Television Agency of O'Brien County, 102 South Eastern Street, Sanborn, IA 51248.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2013 AND 2012

Exhibit A

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 234,269	\$ 315,619
Accounts receivable - customers, less allowance for doubtful accounts of \$0 in 2013 and 2012	34,533	11,668
Accounts receivable - access fees	33,906	29,963
Accounts receivable - other	9,457	11,000
Accrued interest receivable	1,147	1,547
Prepaid expenses	15,829	25,177
Total current assets	<u>329,141</u>	<u>394,974</u>
Non-current assets:		
Cash and cash equivalents-restricted	200,000	200,000
Temporary cash investments-restricted	300,000	300,000
Capital assets at cost, net of accumulated depreciation (Note 4)	687,349	533,426
Construction work in progress	41,061	41,061
Total non-current assets	<u>1,228,410</u>	<u>1,074,487</u>
 Total assets	 <u>\$ 1,557,551</u>	 <u>\$ 1,469,461</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 93,905	\$ 81,290
Accrued payroll and payroll taxes	13,023	13,092
Accrued vacation	10,903	10,323
Accrued sales tax	9,699	8,907
Accrued excise tax	-	980
Accrued property taxes	6,138	9,886
Customer prepayments	2,440	1,667
Customer deposits	16,820	17,150
Total current liabilities	<u>152,928</u>	<u>143,295</u>
Long-term liabilities		
Long-term sick leave liability (Note 6)	<u>121,990</u>	<u>113,019</u>
<u>NET POSITION</u>		
Net invested in capital assets	728,410	574,486
Restricted	500,000	500,000
Unrestricted	54,223	138,661
Total net position (Note 5)	<u>1,282,633</u>	<u>1,213,147</u>
 Total liabilities and net position	 <u>\$ 1,557,551</u>	 <u>\$ 1,469,461</u>

See notes to financial statements.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2013 AND 2012

Exhibit B

	<u>2013</u>	<u>2012</u>
<u>OPERATING REVENUES</u>		
Cable revenue	\$ 1,061,141	\$ 963,054
Telephone revenue	910,417	923,003
Carrier access fee revenue	164,827	269,232
Internet revenue	580,370	561,818
Modem purchases and rentals	43,962	43,472
Other operating revenues	26,224	10,977
Total operating revenues	<u>2,786,941</u>	<u>2,771,556</u>
<u>OPERATING EXPENSES</u>		
Cable services	793,302	732,289
Telephone services	47,722	101,086
Carrier access fees	-	34,600
Internet services	126,016	160,225
Billing and support fees	101,225	74,711
Salaries	404,845	380,388
Employee benefits	195,397	171,329
Repairs and maintenance	312,831	277,346
Oil and gas	19,418	17,518
Advertising and marketing	41,031	18,659
Professional fees	52,849	80,579
Property taxes	6,138	9,886
Utilities	49,364	49,564
Postage and shipping	2,650	4,829
Office supplies	2,197	2,250
Meeting expenses	1,619	920
Insurance	21,135	18,086
Operating supplies	657	752
Depreciation	135,497	86,066
Equipment rental	406	190
Telephone	11,334	9,145
Service agreements	30,929	21,997
Education and training	258	30
Bad debt expense	3,676	7,154
Dues and subscriptions	5,591	1,168
Board fees	3,000	2,600
Miscellaneous	1,878	6,212
Total operating expenses	<u>2,370,965</u>	<u>2,269,579</u>
Operating income	<u>415,976</u>	<u>501,977</u>

(Continued)

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2013 AND 2012

Exhibit B
(Continued)

	<u>2013</u>	<u>2012</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest income	\$ 5,708	\$ 7,335
Loss on disposition of assets	<u>(5,904)</u>	<u>-</u>
Total non operating revenue (expense)	<u>(196)</u>	<u>7,335</u>
Changes in net position	415,780	509,312
Net position beginning of year	1,213,147	1,053,376
Residual equity transfers to member cities	<u>(346,294)</u>	<u>(349,541)</u>
Net position end of year	<u>\$ 1,282,633</u>	<u>\$ 1,213,147</u>

See notes to financial statements.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

Exhibit C

	<u>2013</u>	<u>2012</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers	\$2,761,930	\$2,779,821
Cash payments to suppliers for goods and services	(1,617,011)	(1,612,713)
Cash payments to employees for services	(590,760)	(556,913)
Net cash provided by operating activities	<u>554,159</u>	<u>610,195</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Payment to member cities	(346,294)	(349,541)
Acquisition of capital assets	(298,723)	(350,687)
Proceeds from sale of assets	<u>3,400</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(641,617)</u>	<u>(700,228)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of investments	(300,000)	(300,000)
Proceeds from sale of investments	300,000	300,000
Interest on investments	<u>6,108</u>	<u>7,518</u>
Net cash provided by investing activities	<u>6,108</u>	<u>7,518</u>
<u>NET DECREASE IN CASH AND CASH EQUIVALENTS</u>	<u>(81,350)</u>	<u>(82,515)</u>
Cash and cash equivalents at beginning of year	<u>515,619</u>	<u>598,134</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 434,269</u>	<u>\$ 515,619</u>
<u>RECONCILIATION OF CASH & CASH EQUIVALENTS</u>		
Unrestricted	\$ 234,269	\$ 315,619
Restricted	<u>200,000</u>	<u>200,000</u>
Total	<u>\$ 434,269</u>	<u>\$ 515,619</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating income	\$ 415,976	\$ 501,977
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	135,497	86,066
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(25,266)	6,265
Decrease in prepaid expenses	9,348	2,303
Increase in accounts payable	12,615	16,493
Increase (decrease) in other liabilities	<u>5,989</u>	<u>(2,909)</u>
Total adjustments	<u>138,183</u>	<u>108,218</u>
Net cash provided by operating activities	<u>\$ 554,159</u>	<u>\$ 610,195</u>

See notes to financial statements.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

1. Summary of Significant Accounting Policies

Community Cable Television Agency of O'Brien County (the Agency) was formed in 1996 pursuant to the provisions of Chapter 28E of the Code of Iowa. The Agency was formed to manage, administer, operate and maintain jointly owned facilities and equipment for the purpose of providing cable television, telephone, and internet services to the citizens of the participating communities.

The Agency is governed by a Board consisting of five representatives serving on staggered six-year terms. There is one representative from each of the following governmental entities: the City Council of Primghar, the Board of Trustees of the Sanborn Electric and Telecommunications Utility, the City Council of Hartley, and the City Council of Paullina. The fifth representative is appointed by mutual agreement of the majority of the representatives from the governmental entities noted above.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Agency has included all funds, organization, agencies, boards, commissions, and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Agency's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

D. Assets, Liabilities, and Net Position

The following accounting policies are followed in preparing the balance sheets:

Cash and Cash Equivalents - The Agency considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2013 and 2012, include restricted certificates of deposit of \$300,000.

Capital Assets - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Furniture and equipment is being depreciated over a five to ten year life.

Compensated Absences - Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. The Agency's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2013 and 2012.

2. Cash, Cash Equivalents and Investments

The Agency's deposits in banks at June 30, 2013 and 2012, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3 as amended by Statement Number 40.

Interest rate risk - The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Agency.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

3. Pension and Retirement Benefits

The Agency contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the Agency is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by state statute. The Agency's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$34,341, \$31,603, and \$25,208 respectively, equal to the required contributions for each year.

4. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets not being depreciated:				
Construction work in progress	\$ 41,061	\$ -	\$ -	\$ 41,061
Capital assets being depreciated:				
Furniture and equipment	\$ 951,393	\$ 298,723	\$ 34,673	\$ 1,215,443
Less amortization and depreciation	417,967	135,497	25,370	528,094
Total capital assets, net	\$ 533,426	\$ 163,226	\$ 9,303	\$ 687,349

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets not being depreciated:				
Construction work in progress	\$ 41,061	\$ -	\$ -	\$ 41,061
Capital assets being depreciated:				
Furniture and equipment	\$ 600,706	\$ 350,687	\$ -	\$ 951,393
Less amortization and depreciation	331,901	86,066	-	417,967
Total capital assets, net	\$ 268,805	\$ 264,621	\$ -	\$ 533,426

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

5. Net Position

Net assets as of June 30, 2013 are allocated to the members as follows:

	<u>Hartley</u>	<u>Paullina</u>	<u>Primghar</u>	<u>Sanborn</u>	<u>Total</u>
Contributed capital	\$ 100,967	\$ 73,339	\$ 59,031	\$ 83,791	\$ 317,128
Retained earnings at June 30, 2012	233,297	210,368	226,004	226,350	896,019
Change in net position July 1, 2012 to June 30, 2013	85,564	104,102	122,840	103,274	415,780
Residual equity transfers	<u>(116,156)</u>	<u>(84,745)</u>	<u>(86,367)</u>	<u>(59,026)</u>	<u>(346,294)</u>
Retained earnings at June 30, 2013	<u>202,705</u>	<u>229,725</u>	<u>262,477</u>	<u>270,598</u>	<u>965,505</u>
Total net position at June 30, 2013	<u>\$ 303,672</u>	<u>\$303,064</u>	<u>\$321,508</u>	<u>\$ 354,389</u>	<u>\$1,282,633</u>
Accrual basis net position:					
Invested in capital assets	\$ 234,883	\$163,215	\$136,730	\$ 193,582	\$ 728,410
Restricted for debt service	161,230	112,035	93,855	132,880	500,000
Unrestricted	<u>(92,441)</u>	<u>27,814</u>	<u>90,923</u>	<u>27,927</u>	<u>54,223</u>
	<u>\$ 303,672</u>	<u>\$303,064</u>	<u>\$321,508</u>	<u>\$ 354,389</u>	<u>\$1,282,633</u>

Net assets as of June 30, 2012 are allocated to the members as follows:

Contributed capital	\$ 100,967	\$ 73,339	\$ 59,031	\$ 83,791	\$ 317,128
Retained earnings at June 30, 2011	231,450	173,560	175,298	155,940	736,248
Change in net position July 1, 2011 to June 30, 2012	122,905	124,241	136,579	125,587	509,312
Residual equity transfers	<u>(121,058)</u>	<u>(87,433)</u>	<u>(85,873)</u>	<u>(55,177)</u>	<u>(349,541)</u>
Retained earnings at June 30, 2012	<u>233,297</u>	<u>210,368</u>	<u>226,004</u>	<u>226,350</u>	<u>896,019</u>
Total net position at June 30, 2012	<u>\$ 334,264</u>	<u>\$283,707</u>	<u>\$285,035</u>	<u>\$ 310,141</u>	<u>\$1,213,147</u>
Accrual basis net position:					
Invested in capital assets	\$ 185,249	\$128,725	\$107,837	\$ 152,675	\$ 574,486
Restricted for debt service	161,230	112,035	93,855	132,880	500,000
Unrestricted	<u>(12,215)</u>	<u>42,947</u>	<u>83,343</u>	<u>24,586</u>	<u>138,661</u>
	<u>\$ 334,264</u>	<u>\$283,707</u>	<u>\$285,035</u>	<u>\$ 310,141</u>	<u>\$1,213,147</u>

Amounts restricted for debt service consist of amounts required to be set aside by each city's bond resolution up to a maximum amount of \$500,000.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

6. Long-Term Sick Leave Liability

The Agency's sick leave policy provides that any full-time employee who elects to take retirement on IPERS or Social Security and has completed 180 months or more of continuous service to the Agency shall be compensated for up to 120 days of unused sick leave or prorated to the number of years of employment.

This accumulated benefit obligation was \$121,990 and \$113,019 for the years ended June 30, 2013 and 2012, respectively. The discount rate used in determining the present value of the accumulated postretirement benefit is 6.00%.

7. Other Postemployment Benefits (OPEB)

Plan Description – The Agency operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees, and their spouses. There are 8 active members and no retired member in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees which results in an implicit subsidy and an OPEB liability. Management has determined, however, that any OPEB liability would be immaterial with respect to the financial statements and no liability has been recorded

Funding Policy - The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premium for the Agency was \$1,264 for family coverage. The same monthly premium applies to retirees. For the year ended June 30, 2013, the Agency contributed \$97,485 to the plan.

8. Risk Management

The Agency is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Agency assumes liability for any deductibles and claims in excess of coverage limitations.

9. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

10. Significant Area Concentration of Credit Risk

The Agency extends credit to its customers on terms no more favorable than standard terms of the industry it serves. The Agency's customers are located in the four member cities. The Agency's credit risks have been anticipated and management believes that adequate provision has been made for doubtful accounts.

11. Related Party Transactions

The Agency had business transactions between the Agency and Agency officials totaling \$23,701 during the year ended June 30, 2013.

HUNZELMAN, PUTZIER & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W. J. HUNZELMAN, C.P.A. 1921-1997

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Members of Community Cable
Television Agency of O'Brien County:

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Community Cable Television Agency of O'Brien County (the Agency) as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, and have issued our report thereon dated March 7, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Agency's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the Agency's internal control described in Part I of the accompanying Schedule of Findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matter which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Agency's Responses to Findings

The Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Agency's responses, we did not audit the Agency's responses and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hummelman, Putzier & Co., PLC

March 7, 2014

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties - An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated the activities of one employee act as a check on those of another. One person had control over each of the following areas for the Agency at certain times:

1. Accounting system - performance of all general accounting functions.
2. Receipts - collecting, depositing, journalizing, and posting.
3. Utility receipts - billing, collecting, depositing, posting, and reconciling.
4. Disbursements - preparing, recording, and reconciling.
5. Financial reporting - preparing, reconciling, and distributing.
6. Information system (computer usage) - performing all general accounting functions and controlling all data input and output.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Agency should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - As to the concern about not being enough segregation of duties among the employees in the aspect of internal accounting control, more than one person has control as follows:

1. The accounting system is the responsibility of the office manager and is overseen by the general manager.
2. Receipts:
 - a. Cash and checks are verified and date stamped by the front desk CSR.
 - b. Monies are given to the office assistant for posting to the customer account.
 - c. The office assistant prepares the deposit.
 - d. The office manager posts to the accounting system and deposits at bank.
3. Utility Receipts:
 - a. Each office person does billing.
 - b. Each city and office person does collecting and payments are recorded. See No. 2 for depositing and posting.
 - c. Reconciling is done by the office manager using our CASP accounting system and is reviewed by the general manager.
4. Disbursements:
 - a. The office manager does preparation and recording. Then all disbursements are approved by the general manager before final approval by the Board of Directors of TCA.
 - b. Reconciling is done by the office manager using our CASP accounting system and is reviewed by the general manager.
5. All financial reporting is prepared by the office manager and is reviewed by the general manager and the Board of Directors.
6. The computer usage is monitored and controlled by the general manager.

Conclusion - Response accepted.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements – (Continued):

- (B) Financial Reporting - We noted that while management is capable of preparing accurate financial statements that provide information sufficient for the Board to make management decisions, reporting financial data reliably in accordance with U.S. generally accepted accounting principles (GAAP) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining additional GAAP knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable GAAP financial statements.

Response – The Management of TCA acknowledges that we do not have a certified public accountant (CPA) on staff to create the financial statements required by GAAP (generally accepted accounting principles). We do rely on our auditor to make sure that we are in compliance with these standards. The Board of TCA may feel that it is necessary to employ a CPA to prepare the financial statements in this manner at some point.

Conclusion – Response accepted

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

Part II: Other Findings Related to Required Statutory Reporting:

- (1) Questionable Expenses - No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
- (2) Travel Expense - No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- (3) Board Minutes - No transactions were found that we believe should have been approved in the board minutes but were not.
- (4) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part II: Other Findings Related to Required Statutory Reporting – (Continued):

- (5) Business Transactions – Business transactions between the Agency and Agency officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Kent Faust, Member, Owner of South O'Brien Insurance	Insurance	\$23,701

In accordance with chapter 362.5(k) of the Code of Iowa, the above transactions may be a conflict of interest since total transactions were more than \$2,500 during the fiscal year.

Recommendation - The Agency should review these transactions closely and may want to consult their attorney to determine that they are in compliance with the Code of Iowa.

Response – The insurance policy in question was put out for the public to bid on. We will monitor our transactions and make sure we do not have a conflict of interest and consult with our attorney.

Conclusion – Response accepted.

- (6) Telecommunication Services - No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.
- (7) Bond Coverage - Employees were covered by a surety bond during the year ended June 30, 2013.